

Message Text

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PAGE 01 STATE 295352

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 SS-15 NSC-05

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EA - L.EDMOND

CAB - J.HORNEMAN

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA IMMEDIATE

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E.O. 11652: N/A

TAGS: EAIR, ID

SUBJECT: CIVAIR - US-INDONESIA NEGOTIATIONS

REF: JAKARTA 15383

1. BEFORE REPLYING TO SALIM'S LETTER, DEPT WOULD APPRE-
CIATE RECEIVING EMBASSY'S VIEWS ON CONSEQUENCES OF A CAB
DECISION IN NEXT FEW WEEKS ON GARUDA APPLICATION WHICH
WOULD EITHER TURN IT DOWN OR ANNOUNCE DEFERRAL OF FINAL
ACTION. FYI. IN ORDER TO AVOID PUBLIC CRITICISM IN U.S.,
CAB HAS ANNOUNCED POLICY OF PROJECTING DATES ON WHICH
FINAL ACTION WILL BE TAKEN ON PENDING APPLICATIONS.
ACCORDINGLY, CAB HAS STATED THAT IT CONTEMPLATES DECISION
WILL BE REACHED ON SEVERAL APPLICATIONS (INCLUDING
GARUDA'S), BY DECEMBER 27, 1976. END FYI. GROUNDS FOR
SUCH AN ADVERSE CAB DECISION WOULD BE: (1) THAT, BECAUSE
ROUTE REQUESTED IS OUTSIDE ROUTE DESCRIPTION IN BILATERAL
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PAGE 02 STATE 295352

AIR TRANSPORT AGREEMENT, APPLICATION MUST BE JUDGED ON ITS

OWN ECONOMIC MERITS, AND, ON THAT BASIS, DOES NOT WARRANT APPROVAL; (2) THAT APPLICATION SHOULD NOT BE GRANTED WHILE INTERGOVERNMENTAL NEGOTIATIONS ARE IN PROGRESS; AND/OR (3) THAT ROUTE AWARD CANNOT BE CONSIDERED APART FROM OVERALL U.S. AVIATION POLICY FOR CENTRAL PACIFIC AND SOUTHEAST ASIA, AND FINAL DECISION MUST AWAIT CLARIFICATION IN

REGARD TO RIGHTS WHICH USG HAS RECEIVED FROM OTHER COUNTRIES. IF CAB DECISION IS TO DENY GARUDA'S APPLICATION, THIS WILL NOT PREJUDICE CAB CONSIDERATION OF A LATER GARUDA REAPPLICATION.

2. WOULD ALSO APPRECIATE EXPANSION OF EMBASSY'S VIEWS ON HOW DENIAL OF GARUDA APPLICATION WOULD DAMAGE "BROADER POLITICAL AND ECONOMIC INTERESTS."

3. USG POSITION, BASED ON RECENTLY ISSUED PRESIDENTIAL AVIATION POLICY, IS THAT US AIRLINES SHOULD OPERATE ONLY OVER ROUTES WHICH ARE VIABLE (I.E., PROFITABLE). UNLESS WE CAN SECURE SUCH RIGHTS FROM GOI, PAN AM UNABLE TO OPERATE. USG HAS NO OBLIGATION TO GARUDA.

4. WE WISH FURTHER ADVISE EMBASSY THAT IF PRESENT NEGOTIATIONS FAIL AND IF CAB CANNOT LOOK FOR GUIDANCE EITHER TO EXISTING BILATERAL OR TO AN INTERGOVERNMENTAL MODUS OPERANDI CONFERRING RECIPROCITY, THEN ITS ONLY RECOURSE IS TO JUDGE GARUDA APPLICATION ON ITS ECONOMIC BENEFITS TO U.S. IN EXAMINING ECONOMIC MERITS OF GARUDA'S APPLICATION, USG AGENCIES WILL GIVE GREAT WEIGHT TO FACT THAT SEVERAL OTHER EAST ASIAN COUNTRIES (SINGAPORE, HONG KONG, PHILIPPINES) ARE ALREADY SEEKING CENTRAL PACIFIC ROUTE RIGHTS TO U.S. MARKET IS NOT LARGE ENOUGH TO PERMIT APPROVAL OF ALL SUCH REQUESTS. IN ABSENCE OF EITHER BILATERAL OR MODUS OPERANDI, INDONESIA MUST, IN EFFECT, COMPETE WITH ITS NEIGHBORS FOR RIGHT TO FLY TO U.S. AND, FRANKLY, ADVANTAGES IT CAN OFFER NOW ARE COMPARATIVELY SMALL. FOR EXAMPLE, AS EMBASSY HAS ALREADY OBSERVED, IT MIGHT BE MORE ADVANTAGEOUS FOR USG TO DO ITS BARGAINING WITH SINGAPORE BECAUSE GOS WOULD HAVE MORE PROFITABLE MARKET TO OFFER THAN GOI.

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PAGE 03 STATE 295352

5. STATEMENT IN SEPTEMBER 10 PROPOSAL AND IN RECENT DRAFT LETTER REPLY (STATE 286916) CONCERNING DESIGNATION OF SECOND AIRLINE AND ALL-CARGO SERVICES NOT MEANT TO OPEN DOOR TO NEW PATH FOR NEGOTIATIONS. PAN AM IS DESIGNATED AIRLINE AND STATEMENT INCLUDED ONLY TO COVER POSSIBILITY OF FLYING TIGER BEING CERTIFICATED BY CAB TO SERVE INDONESIA. FTL'S APPLICATION IS BEFORE CAB BUT DECISION,

EITHER APPROVAL OR DENIAL, IS MONTHS IN FUTURE.

6. NOTE FROM JAKARTA 15522 THAT PAN AM HAS NOTIFIED GOI
OF ITS INDEFINITE SUSPENSION OF SERVICES AFTER JANUARY 31,
1977. WOULD APPRECIATE RECEIVING GOI REACTION, IF ANY.
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